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No. 215-D
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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.
May 31, 1940.

Dear Committeeman:

In recent weeks war has spread to countries which normally have been good customers for our dark tobacco. This makes it increasingly important that dark tobacco growers be informed about the situation as outlined in our letter of March 30, 1940 (Committeeman Letter No. 214-D).

It looks now as if any increase in acreage in 1940 over the 1939 crop will result in piling up surplus tobacco again and likely would require reductions in dark tobacco allotments in 1941 or later years. Due to effects of the war, prospects for the marketing of the 1940 and future crops of tobacco are very uncertain.

Because of the more favorable 1939 market some growers appear inclined to consider this a good time to step up production. It should be realized that this favorable market would not have existed if growers had not cooperated for several years to adjust production to demands and if steps had not been taken through diversion and otherwise to eliminate surplus stocks. Other favorable factors affecting the 1939 market which are not likely to occur again were:

1. A poor quality crop in 1938 which failed to supply a sufficient amount of certain grades to meet the needs of some buyers.
2. Unusually heavy buying by the French trade.

In contrast, the following factors may influence the 1940 market unfavorably:

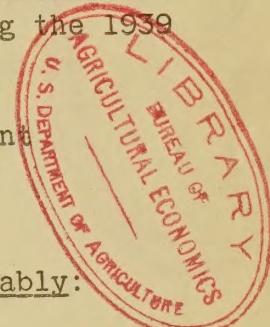
1. Supplies of all dark tobacco types now on hand appear to be adequate.
2. The position of buyers for the French trade and other foreign countries in the 1940 market because of war time controls, is extremely uncertain.
3. Exports for the first 6 months of the current season are running nearly 40 percent behind exports in the same period a year earlier.

If growers should overplant their allotments, and yields are normal, the market situation for 1940 would be less favorable. Growers who overplant acreage allotments will not be eligible for loans and will lose a part or all of their AAA payments.

Growers have no control over conditions, such as war, which will affect demand for the 1940 crop. But they can help to create a favorable market by producing only enough tobacco to meet indicated needs. Present acreage allotments, with normal yields, will provide ample supplies for both domestic and foreign requirements.

Sincerely,

Chas. D. Lewis,
Acting Director, East Central Division



UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

Dear Committeeman:

In our Committeeman Letter No. 214-F we set forth facts concerning the tobacco situation which it appeared advisable to bring to the attention of flue-cured producers. The following additional facts may also be of use to you in discussing the situation.

1. The tariff on tobacco imported into Great Britain recently was increased about eighty cents per pound, making the total import duty on U. S. leaf approximately \$3.50 per pound at the official rate of Exchange.

2. So far, only between a half million and a million pounds of tobacco has been moved from the 175 million pounds of the 1939 crop held under the purchase and loan arrangements for the British trade.

3. Information from trade sources indicates that the lower grades of tobacco have been rather fully absorbed by the trade, partly because of a short Chinese crop, but the big quantity of the better grades has not moved. In other words, there still is a huge surplus of flue-cured tobacco.

Sincerely,

W. G. Finn

W. G. Finn,
Director, East Central Division.

